

Message Text

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TO AMEMBASSY JAKARTA

C O N F I D E N T I A L STATE 051014

STADIS//////////

E.O. 11652: GDS

TAGS:ENRG, ID

SUBJECT: COMMUNICATION TO PERTAMINA ON DOE CONFERENCE ON
PAC-INDONESIA LNG APPLICATION

REF: STATE 049371.

1. THE FOLLOWING TELEX WAS ADDRESSED TO PIET HARJANO,
PRESIDENT-DIRECTOR OF PERTAMINA BY COMPANY REPRESENTATIVES
SUMMARIZING AND COMMENTING ON FEBRUARY 22 CONFERENCE WITH
DAVID BARDIN, ECONOMIC REGULATORY ADMINISTRATION, DOE ON
THE PACIFIC-INDONESIA CASE:

"1. PURPOSE OF TODAY'S CONFERENCE: TO DISCUSS SOME OF THE
PROBLEMS CREATED BY BARDIN'S OPINION NUMBER I AND THE
PETITIONS FOR REHEARING FILED JANUARY 30, 1978, AND TO SET
SOME PROCEDURES FOR THE FUTURE. NO EVIDENCE OR ORAL ARGU-
MENTS WERE RECEIVED, BUT DISCUSSIONS WERE HELD BETWEEN
BARDIN AND ATTORNEYS FOR THE VARIOUS PARTIES TO THE PRO-
CEEDINGS. BARDIN DID NOT GRANT OR DENY ANY PETITIONS FOR
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REHEARING AT TODAY'S CONFERENCE, BUT DID GIVE SOME INDICA-
TION OF HIS THOUGHTS AND PREFERENCES ON A NUMBER OF THE
ISSUES. AN OFFICIAL ORDER WILL BE ISSUED IN WRITING IN ONE
TO TWO WEEKS.

2. DISCUSSION OF ISSUES RAISED REGARDING THE PRICE ESCALA-
TOR AND CURRENCY ADJUSTOR CLAUSES OF THE PAC-INDONESIA/

PERTAMINA CONTRACT.

A. THE MINIMUM PRICE PROVISION HAS BEEN APPROVED, CONTINUES TO BE APPROVED, AND WILL NOT BE CHANGED ON REHEARING

B. THE CURRENCY ADJUSTOR CLAUSE IS SUSCEPTIBLE TO SOME FURTHER CLARIFICATION OF BARDIN'S ORIGINAL OPINION (HE NOW UNDERSTANDS HOW IT WORKS MORE FULLY) AND WILL BE PARTLY DEALT WITH IN THE WRITTEN ORDER. HOWEVER, ITS WORKINGS ARE NOT FULLY SYMETRICAL EVEN THOUGH IT CAN OPERATE BOTH UP AND DOWN AND, THEREFORE, SOME MINOR NEGOTIATED CHANGES MAY BE CALLED FOR.

C. WITH REGARD TO THE PRICE ESCALATOR, ADDITIONAL TIME FOR DISCUSSIONS WILL BE GRANTED AND THE TIMETABLE ENDING APPROXIMATELY MAY 1, 1978, APPEARS TO BE SATISFACTORY. BARDIN SUGGESTS HE WILL PERMIT A "PRIVILEGED CONFERENCE" PROCESS TO OPERATE IN THIS MATTER, WHEREIN BUYER, SELLER, AND CERTAIN EXPERT DOE STAFF PEOPLE WILL BE ABLE TO GET TOGETHER TO DISCUSS WAYS AND MEANS, IF ANY, OF SOLVING THIS ISSUE. THE "IRON CURTAIN" HAS BEEN PARTLY LIFTED, BUT EXACT OPERATION OF THIS PROCEDURE IS NOT YET FULLY UNDERSTOOD. IF YOU FIND THE HOLDING OF SUCH A CONFERENCE DESIRABLE, IT CAN BE HELD HERE IN WASHINGTON PRIOR TO THE RECONVENING OF FURTHER MEETINGS IN JAKARTA. IF SO, IT MAY
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BE DESIRABLE TO CONSIDER HAVING ONE OF YOUR PEOPLE ATTEND ANY SUCH MEETING IN WASHINGTON.

3. DISCUSSION OF SITING AND SAFETY ISSUES:

A. THE RECORD ON THE POINT CONCEPTION SITE WILL BE MADE IN PROCEEDINGS PENDING BEFORE JUDGE GORDON OF FEDERAL ENERGY REGULATORY COMMISSION (FERC). IT IS NOT YET CLEAR WHEN AND BY WHOM THE POINT CONCEPTION SITING DECISION WILL BE MADE.

B. WITHIN THIRTY DAYS APPLICANTS ARE TO SUBMIT A PROCEDURE TO BE FOLLOWED IF CALIFORNIA SELECTS A SIT DIFFERENT FROM OXNARD AND POINT CONCEPTION. APPLICANTS INFORMED BARDIN THAT THEY WOULD DO SO, BUT THAT SELECTION BY CALIFORNIA OF A THIRD SITE WOULD PROBABLY RESULT IN A TOTAL BREAK-DOWN OF THE PROJECT DUE TO THE TIME DELAYS WHICH WOULD RESULT.

4. DISCUSSION OF OTHER ISSUES:

A. SAFETY OF UNDERGROUND STORAGE TANKS AT THE REGASIFI-

CATION SITE.

B. CERTAIN STATE OF CALIFORNIA APPROVALS

C. SIERRA CLUB RAISED THE ISSUE OF SITING THE REGASIFICATION FACILITIES OFFSHORE RATHER THAN ONSHORE.

D. COST OF SERVICE TARIFF AND SUBJECT OF "ONE-DAY SUSPENSION". -

E. OTHER ITEMS

F. NONE OF THE ABOVE MATTERS WERE DISCUSSED AT ANY LENGTH.

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5. BARDIN APPEARS TO BE WELL INFORMED AND ANXIOUS TO MAKE THIS PROJECT WORK. HE IS SEEKING TO BE AS HELPFUL AS POSSIBLE WITHIN THE LIMITATIONS OF THE LAW, THE RULES OF PROCEDURES AND PRACTICE, AND THE SCOPE OF HIS AUTHORITY. BENSON WILL DISCUSS THIS WITH YOU UPON HIS ARRIVAL IN JAKARTA." END QUOTE.

2. COMMENT: A MAJOR POINT MADE BY BOTH CALIFORNIA COMPANY REPRESENTATIVES AND PERTAMINA LAWYERS (3 B, ABOVE) WAS THAT EXTENDED PROCEEDINGS, SUCH AS WOULD BE REQUIRED TO REVIEW ANY POSSIBLE "THIRD SITE", WOULD KILL THE PROJECT. IT SEEMS LIKELY THAT NEXT MEETING WITH DOE TO REVIEW THE ESCALATOR CLAUSE WILL TAKE PLACE IN TWO WEEKS OR SO IF PERTAMINA AGREES AND IS ABLE TO SEND REPRESENTATIVE FROM JAKARTA AT THAT TIME.

THIS REVIEW WILL NOT BE THE OCCASION FOR ANY BINDING DISCUSSIONS, BUT FOR EXCHANGE AND CLARIFICATION OF ISSUES. VANCE

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